

CITY OF EVERLY, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 12
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 13
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 14
Notes to Financial Statements	15-23
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	24
Notes to Other Information – Budgetary Reporting	25
Schedule of the City's Proportionate Share of the Net Pension Liability	26
Schedule of the City's Contributions	27
Notes to Other Information – Pension Liability	28-29
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances- Nonmajor Governmental Funds	1 30
Schedule of Indebtedness	2 31
Bond and Note Maturities	3 32
Schedule of Receipts	4 33
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34-35
Schedule of Findings	36-40

CITY OF EVERLY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Putnam	Mayor	December 31, 2015
Cheri Hoyer	Council Member	December 31, 2017
Ron Thompson	Council Member	December 31, 2017
Brad Behrens	Council Member	December 31, 2015
Tara Patrick	Council Member	December 31, 2015
Josh Muckey	Council Member	December 31, 2015
Janice Thompson	City Clerk	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Everly, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinions.

Basis of Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution of the beginning balances of cash basis net position and the distribution by fund of the total fund balance as of July 1, 2014.

Qualified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distributions of the beginning balances of cash basis net position and the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Everly, Iowa as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which are a basis of accounting other than U.S. generally accepted accounting principles. Our opinions were not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Everly, Iowa adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everly's basic financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 11 and 24 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 12, 2016 on our consideration of the City of Everly's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everly's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

January 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everly, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to have an audit on an annual basis, much of the information included in this analysis is not easily comparable to prior years. Should the city choose to have audits in consecutive years, comparisons would be more meaningful and would go farther to explain the City's financial position and results of operations.

2015 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities were approximately \$552,000. Over 50% of total revenues were received from property taxes of approximately \$195,000 and intergovernmental receipts of approximately \$119,000.
- Governmental activity disbursements were approximately \$468,000 in fiscal year 2015. Comprising a majority of the total disbursement balance were 30% for public safety and 27% for culture and recreation activities.
- The City's total cash basis net position increased 10%, or approximately \$210,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$175,000 and the cash basis net position of the business type activities increased by approximately \$36,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the solid waste, waterworks, electric, sanitary sewer and storm sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Employee Benefits, 3) the Debt Service Fund, 4) and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

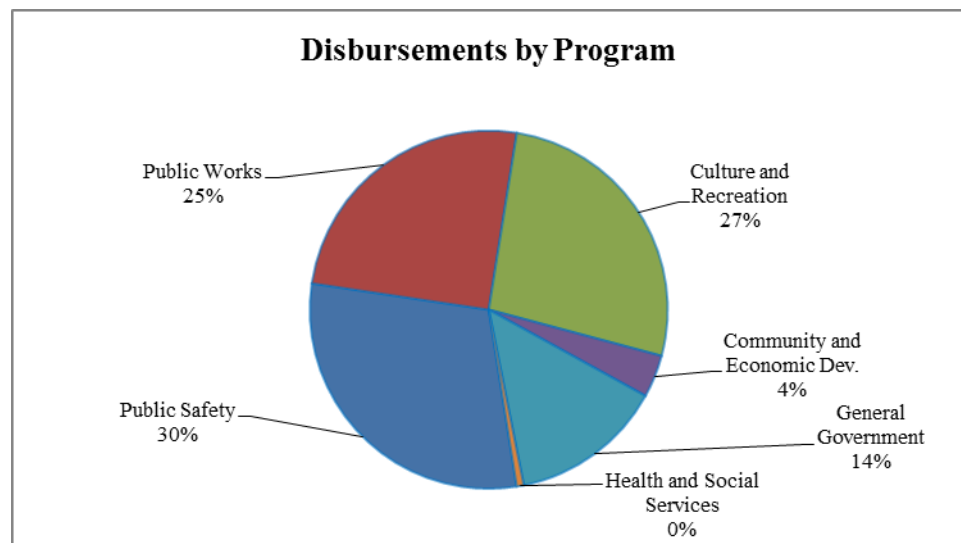
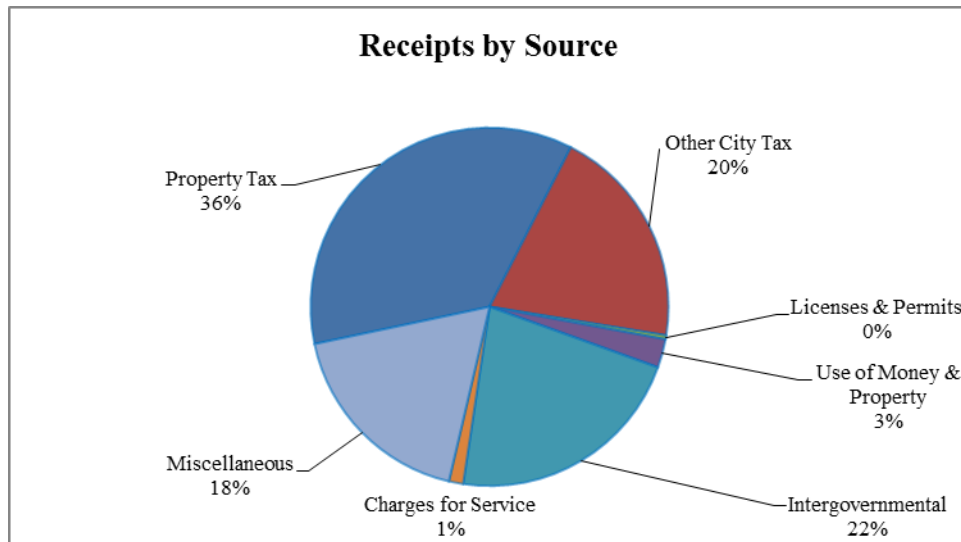
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the solid waste, water, gas and sanitary sewer funds.

The required financial statement for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$640,152 to \$814,768. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2015
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 7
Capital grants, contributions and restricted interest	119
Operating grants, contributions and restricted interest	-
General receipts:	
Property tax	195
Local option sales tax	109
Unrestricted investment earnings	3
Other general receipts	119
Total receipts	<u>552</u>
Disbursements:	
Public safety	140
Public works	118
Health and social services	2
Culture and recreation	125
Community and economic development	18
General government	65
Total disbursements	<u>468</u>
Change in cash basis net position before transfers	84
Transfers, net	<u>91</u>
Change in cash basis net position	175
Cash basis net position beginning of year	<u>640</u>
Cash basis net position end of year	<u>\$ 815</u>



The cost of all governmental activities this year was \$469,000. However, as shown in the Cash Basis Statement of Activities and Net Position on page 12, the amount taxpayers ultimately financed for these activities was only \$343,000 because some of the cost was paid by those directly benefited from the programs (\$7,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$119,000). The City paid for the remaining “public benefit” portion of governmental activities with approximately \$195,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2015
Receipts:	
Program receipts:	
Charges for service:	
Solid waste	\$ 53
Gas	418
Water	109
Sewer	100
General receipts:	
Unrestricted interest on investments	9
Other general receipts	11
Total receipts	<u>700</u>
Disbursements and transfers:	
Solid Waste	53
Gas	339
Water	110
Sewer	71
Total disbursements	<u>573</u>
Change in cash basis net position before transfers	127
Transfers, net	<u>(91)</u>
Change in cash basis net position	36
Cash basis net position beginning of year	<u>1,479</u>
Cash basis net position end of year	<u><u>\$ 1,515</u></u>

Total business type activities receipts for the fiscal year were \$700,000. The cash balance increased by approximately \$36,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Everly completed the year, its governmental funds reported a combined fund balance of \$814,768, an increase of approximately \$175,000 from last year's fund balance of \$640,152. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$79,918 from the prior year to \$209,391. The increase was a result of operating transfers to the fund during the year.
- The Special Revenue, Local Option Sales Tax Fund balance increased by \$83,645 during the year. This was a result of receipts collected outweighing the transfer made to the general fund.

- The Special Revenue, Road Use Tax Fund cash balance increased by \$748 to a balance of \$2,084 at June 30, 2015. The increase was a similar to what was budgeted for the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased this fiscal year by \$17,515 as a result of regular operations during the year.
- The Water Fund cash balance decreased by \$13,504 primarily as a result of equipment purchases and other repairs and maintenance costs.
- The Gas Fund cash balance increased by \$30,868 as a result of regular operations during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2015 and resulted in increased disbursements of \$21,500 due to an increase in capital projects. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$193,000 in bonds and other long-term debt outstanding.

Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30, 2015
General Obligation Debt	\$ 175
SRF Preliminary Planning & Design Loan	18
Total	<u>\$ 193</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$1,253,201 and its outstanding general obligation debt is \$175,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when establishing the fiscal year 2016 budget, tax rates and fees charged for various City activities. A conservative approach was used and a balanced budget is anticipated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The City's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk at 202 North Main, P.O. Box 197, Everly, IA 51338 or telephone (712) 834-2691.

Financial Statements

CITY OF EVERLY, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Primary Government							
Governmental activities:							
Public safety	\$ 140,023	6,963	26,431	-	(106,629)	-	(106,629)
Public works	118,379	-	62,701	-	(55,678)	-	(55,678)
Health and social services	2,566	-	-	-	(2,566)	-	(2,566)
Culture and recreation	124,817	118	23,741	-	(100,958)	-	(100,958)
Community and economic development	18,383	-	-	-	(18,383)	-	(18,383)
General government	64,899	-	6,045	-	(58,854)	-	(58,854)
Total governmental activities	469,067	7,081	118,918	-	(343,068)	-	(343,068)
Business type activities							
Sewer	71,028	100,674	-	-	-	29,646	29,646
Water	109,961	108,678	-	-	-	(1,283)	(1,283)
Gas	339,349	417,992	-	-	-	78,643	78,643
Other	52,541	53,162	-	-	-	621	621
Total business type activities	572,879	680,506	-	-	-	107,627	107,627
Total	\$ 1,041,946	687,587	118,918	-	(343,068)	107,627	(235,441)
General Receipts:							
Property tax levied for:							
General purposes					170,282	-	170,282
Debt service					25,135	-	25,135
Local option sales tax					108,645	-	108,645
Unrestricted interest on investments					3,239	8,877	12,116
Miscellaneous					111,056	9,997	121,053
Sale of capital assets					8,327	-	8,327
Operating transfers in (out)					91,000	(91,000)	-
Total general receipts and transfers					517,684	(72,126)	445,558
Change in cash basis net position					174,616	35,501	210,117
Cash basis net position, beginning of year					640,152	1,479,444	2,119,596
Cash basis net position, end of year					\$ 814,768	1,514,945	2,329,713
Cash Basis Net Assets:							
Restricted							
Streets					2,084	-	2,084
Employee benefits					32,229	-	32,229
LOST					535,929	-	535,929
Debt service					25,135	-	25,135
Other purposes					10,000	-	10,000
Unrestricted					209,391	1,514,945	1,724,336
Total cash basis net position					\$ 814,768	1,514,945	2,329,713

CITY OF EVERLY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			Other Nonmajor Governmental Funds	Total
	General	LOST	Road Use Tax		
Receipts:					
Property tax	\$ 149,004	-	-	46,413	195,417
Other city tax	-	108,645	-	-	108,645
Licenses and permits	1,988	-	-	-	1,988
Use of money and property	13,999	-	-	-	13,999
Intergovernmental	55,985	-	62,701	232	118,918
Charges for service	7,081	-	-	-	7,081
Miscellaneous	98,308	-	-	-	98,308
Total receipts	326,365	108,645	62,701	46,645	544,356
Disbursements:					
Operating:					
Public safety	136,098	-	-	3,925	140,023
Public works	47,130	-	61,953	9,296	118,379
Health and social services	2,566	-	-	-	2,566
Culture and recreation	115,236	-	-	9,581	124,817
Community and economic development	18,383	-	-	-	18,383
General government	51,361	-	-	13,538	64,899
Total disbursements	370,774	-	61,953	36,340	469,067
Excess (deficiency) of receipts over (under) disbursements	(44,409)	108,645	748	10,305	75,289
Other financing sources (uses):					
Sale of assets	8,327	-	-	-	8,327
Operating transfers in	116,000	-	-	-	116,000
Operating transfers out	-	(25,000)	-	-	(25,000)
Total other financing sources (uses)	124,327	(25,000)	-	-	99,327
Change in cash balance	79,918	83,645	748	10,305	174,616
Cash balance beginning of year	129,473	452,284	1,336	57,059	640,152
Cash balance end of year	\$ 209,391	535,929	2,084	67,364	814,768
Cash Basis Fund Balances					
Restricted for:					
LOST	-	535,929	-	-	535,929
Employee benefits	-	-	-	32,229	32,229
Streets	-	-	2,084	-	2,084
Debt service fund	-	-	-	25,135	25,135
Other purposes	-	-	-	10,000	10,000
Assigned for:					
Library	58,131	-	-	-	58,131
Community Center	23,077	-	-	-	23,077
Fire Department	51,959	-	-	-	51,959
Unassigned	76,224	-	-	-	76,224
Total cash basis fund balances	\$ 209,391	535,929	2,084	67,364	814,768

See Notes to Financial Statements

CITY OF EVERLY, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

Enterprise Funds					
	Sewer	Water	Gas	Non Major - Solid Waste	Total
Operating receipts:					
Charges for service	\$ 100,231	108,678	417,431	53,162	679,502
Total operating receipts	100,231	108,678	417,431	53,162	679,502
Operating disbursements:					
Business type activities	71,028	109,961	339,349	52,541	572,879
Total operating disbursements	71,028	109,961	339,349	52,541	572,879
Excess (deficiency) of operating receipts over (under) operating disbursements	29,203	(1,283)	78,082	621	106,623
Non-operating receipts:					
Interest on investments	669	163	8,044	1	8,877
Sale of assets	200	616	200	-	1,016
Miscellaneous	443	-	9,542	-	9,985
Total non-operating receipts	1,312	779	17,786	1	19,878
Excess (deficiency) of receipts over (under) disbursements	30,515	(504)	95,868	622	126,501
Transfers out	(13,000)	(13,000)	(65,000)	-	(91,000)
Change in cash balances	17,515	(13,504)	30,868	622	35,501
Cash balances beginning of year	143,286	77,575	1,256,775	1,808	1,479,444
Cash balances end of year	\$ 160,801	64,071	1,287,643	2,430	1,514,945
Cash Basis Fund Balances					
Unrestricted	\$ 160,801	64,071	1,287,643	2,430	1,514,945
Total cash basis fund balances	\$ 160,801	64,071	1,287,643	2,430	1,514,945

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Everly is a political subdivision of the State of Iowa located in Clay County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste, gas, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Everly has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Blended Component Units – The Everly Firefighters Association is an entity which is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Iowa Association of Municipal Utilities (IAMA), Northwest Iowa Solid Waste Agency, Lone Tree Township Cemetery, Northwest Iowa Regional Housing Authority and Clay County E911 Board.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

This Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

CITY OF EVERLY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund (LOST) is used to account for the receipt and disbursement of local option sales tax dollars.

The City reports the following major proprietary funds:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas distribution system.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

C. Measurement Focus and Basis of Accounting

The City of Everly, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restricted classifications- committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable- Amounts which cannot be spent because they are legally or contractually required to be maintained.

Restricted- Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned- Amounts the City Council intends to use for specific purposes.

Unassigned- All amounts not included in the preceding classifications.

CITY OF EVERLY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function.

F. Subsequent Events

City management has evaluated events and transactions for potential recognition or disclosure through January 12, 2016, the date the financial statements were issued.

(2) Cash and Pooled Investments

The City's deposits at June 30, 2015 (which include certificates of deposit totaling \$1,885,728) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bond and other long-term debt are as follows:

Year Ending June 30,	General Obligation Debt		Total	
	Principal	Interest	Principal	Interest
2016	\$ 25,000	-	25,000	-
2017	25,000	-	25,000	-
2018	25,000	-	25,000	-
2019	25,000	-	25,000	-
2020	25,000	-	25,000	-
2021-2022	49,535	-	49,535	-
Total	\$ 174,535	-	174,535	-

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

On November 30, 2012 the City obtained a preliminary Sewer Revenue Loan and Disbursement Agreement Anticipation Project Note with Iowa Finance Authority in the amount up to \$92,500. The note was obtained for the purpose of paying authorized costs in connection with planning and designing improvements and extensions to the Municipal Sanitary Sewer System. As of June 30, 2015, the City has received \$18,080 from the loan. Principal balances outstanding on the note bear interest at the rate of 0% and are payable in full at the earlier of the execution of the final construction note or three years. On October 19, 2015, the maturity date was extended to November 30, 2018 at which point the City expects to execute the final construction note.

(4) Pension Plan

Plan Description- IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-7117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan document for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of service
- The member's highest three-year average salary.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. For Protection Occupant members, the City contributed 10.14 percent and members contributed 6.76 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$21,317.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City reported a liability of \$134,085 for its proportionate share of the net pension liability. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0033809 percent, which was a decrease of 0.0001346 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$10,103, \$7,397 and \$51,728 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

CITY OF EVERLY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability

CITY OF EVERLY, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability/(asset)	\$ 254,544	\$ 134,085	\$ 32,406

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are paid.

The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefits	Amount
Vacation	\$ 8,241

This liability has been computed based on rates of pay in effect at June 30, 2015.

(6) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2015 is as follows:

Transfer In	Transfer From	Amount
General	Proprietary:	
	Gas	\$ 65,000
	LOST	25,000
	Proprietary:	
	Sewer	13,000
	Proprietary:	
	Water	13,000
		116,000
		<u>\$ 116,000</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the funds.

(7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,852 during the year ended June 30, 2015.

(8) Risk Management

The City of Everly is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Everly. Property taxes become liens on property as of July 1, 2014 and are payable in September and March of the fiscal year. The valuation for the taxes were based on January 1, 2013 assessed property valuations, and are based on a certified budget from March of 2014.

(10) Operating Lease

The City leases a copy machine under an operating lease agreement calling for 63 monthly payments of \$150. Future minimum lease payments due on the above operating leases are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ 1,800
2017	1,800
2018	1,800
2019	1,800
2020	450
Total	<u>\$ 7,650</u>

Other Information

CITY OF EVERLY, IOWA

**Budgetary Comparison Schedule of Receipts, Disbursements, and Changes
in Balances - Budget and Actual (Cash Basis)
All Government Funds and Proprietary Funds**

**OTHER INFORMATION
Year Ended June 30, 2015**

	Governmental Funds Activity	Proprietary Funds Activity	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 195,417	-	195,417	190,901	192,448	(2,969)
Other city tax	108,645	-	108,645	116,547	115,000	6,355
Licenses and permits	1,988	-	1,988	2,195	2,195	207
Use of money and property	13,999	8,877	22,876	24,585	24,585	1,709
Intergovernmental	118,918	-	118,918	409,325	409,325	290,407
Charges for service	7,081	679,502	686,583	825,885	825,885	139,302
Miscellaneous	98,308	9,985	108,293	74,300	74,300	(33,993)
Total receipts	544,356	698,364	1,242,720	1,643,738	1,643,738	401,018
Disbursements:						
Program						
Public safety	140,023	-	140,023	284,697	284,697	144,674
Public works	118,379	-	118,379	119,535	124,035	5,656
Health and social services	2,566	-	2,566	5,000	5,000	2,434
Culture and recreation	124,817	-	124,817	143,130	160,130	35,313
Community and economic development	18,383	-	18,383	8,129	8,129	(10,254)
General government	64,899	-	64,899	80,800	80,800	15,901
Capital projects	-	-	-	1,800,000	1,800,000	1,800,000
Business-type activities	-	572,879	572,879	748,020	748,020	175,141
Total disbursements	469,067	572,879	1,041,946	3,189,311	3,210,811	2,168,865
Excess (deficiency) of receipts over disbursements	75,289	125,485	200,774	(1,545,573)	(1,567,073)	(1,767,847)
Other financing sources, net	99,327	(89,984)	9,343	1,558,750	1,558,750	1,549,407
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	174,616	35,501	210,117	13,177	(8,323)	(218,440)
Balance - beginning of year	640,152	1,479,444	2,119,596	1,915,486	2,084,615	34,981
Balance - end of year	\$ 814,768	1,514,945	2,329,713	1,928,663	2,076,292	(183,459)

CITY OF EVERLY, IOWA

Notes to Other Information- Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund, each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased disbursements by \$21,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function.

CITY OF EVERLY, IOWA
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.003381%
City's proportionate share of the net pension liability	134,085
City's covered-employee payroll	223,566
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	59.98%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for the fiscal year were determined as of June 30

See accompanying independent auditors report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF EVERLY, IOWA

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last Fiscal Year*

Other Information

	2015
Statutorily required contribution	\$ 21,317
Contributions in relation to the statutorily required contribution	21,317
Contribution deficiency (excess)	\$ -
City's covered-employee payroll	238,427
Contributions as a percentage of covered-employee payroll	8.94%

See accompanying independent auditor's report.

***Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years in which information is readily available.

CITY OF EVERLY, IOWA

Notes to Other Information- Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF EVERLY, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue			
	Employee Benefits	Debt Service	Capital Project	Total
Receipts:				
Property tax	\$ 21,278	25,135	-	46,413
Intergovernmental	232	-	-	232
Total receipts	21,510	25,135	-	46,645
Disbursements:				
Operating:				
Public safety	3,925	-	-	3,925
Public works	9,296	-	-	9,296
Culture and recreation	9,581	-	-	9,581
General government	13,538	-	-	13,538
Total disbursements	36,340	-	-	36,340
Excess (deficiency) of receipts over (under) disbursements	(14,830)	25,135	-	10,305
Change in cash balances	(14,830)	25,135	-	10,305
Cash balances beginning of year	47,059	-	10,000	57,059
Cash balances end of year	\$ 32,229	25,135	10,000	67,364
Cash Basis Fund Balances				
Restricted for:				
Employee benefits	32,229	-	-	32,229
Debt service fund	-	25,135	-	25,135
Other purposes	-	-	10,000	10,000
Total cash basis fund balances	\$ 32,229	25,135	10,000	67,364

See Accompanying Independent Auditor's Report.

CITY OF EVERLY, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Bond County Highway	October 30, 2012	0.00%	\$ 249,535	<u>\$ 199,535</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 174,535</u>	<u>\$ -</u>	<u>\$ -</u>
SRF Planning & Design Loan Sanitary Sewer Improvements	November 30, 2012	0.00%	\$ 92,500	<u>\$ 18,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,080</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF EVERLY, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2015

Year Ending June 30,	General Obligation Bonds Street Improvement	
	Issued October 30, 2012	
	Interest Rates	Amount
2016	0.00%	25,000
2017	0.00%	25,000
2018	0.00%	25,000
2019	0.00%	25,000
2020	0.00%	25,000
2021	0.00%	25,000
2022	0.00%	24,535
		<u>\$ 174,535</u>

See Accompanying Independent Auditor's Report.

CITY OF EVERLY, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST YEAR

	<u>2015</u>
Receipts	
Property tax	\$ 195,417
Other city tax	108,645
Licenses and permits	1,988
Use of money and property	13,999
Intergovernmental	118,918
Charges for service	7,081
Miscellaneous	98,308
	<u>\$ 544,356</u>
Disbursements	
Operating	
Public safety	\$ 140,023
Public works	118,379
Health and social services	2,566
Culture and recreation	124,817
Community and economic development	18,383
General government	64,899
	<u>\$ 469,067</u>

See Accompanying Independent Auditor's Report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Everly, Iowa as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 12, 2015. Our report expressed qualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Everly's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Everly's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everly's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Everly's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everly's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Everly's Response to the Findings

The City of Everly's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses we did not audit the responses and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Everly during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

January 12, 2015

CITY OF EVERLY, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) As a result of the City's accounting records not being audited annually, as permitted by the Code of Iowa, we were unable to satisfy ourselves as to the distribution of the beginning balance of cash basis net position and the distribution by fund of the total fund balance as of July 1, 2014, therefore modified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. general accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF EVERLY, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – Generally, we noted that one individual has control over each of the following areas:

- 1) Utilities – billings, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- 2) Payroll – entering rates and hours into the system, recordkeeping, preparing, signing and distributing.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Financial Reporting and Budgeting – preparing and reconciling.
- 5) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.

Criteria - An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Condition – There is a limited staff size that makes having an appropriate segregation of duties difficult for the City.

Effect – The City’s internal control system is not as strong as it could be with a proper segregation of duties.

Recommendation – The City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-15 Gas Utility Billings – During the audit, we noted that the gas utility base rate for residential customers was being billed at \$10 per month, whereas the ordinance enacting the utility rates noted the base rate to be \$11 per month.

Criteria – To ensure utility billing is in accordance with the City ordinance, controls should be in place to monitor the inputs and any changes that occur with the rate input set-up.

Condition – There is no process implemented for verifying that rate input changes match the City ordinance enacting the rates that should be charged.

Effect – A material weakness in the City’s internal control resulting in residential customers being charged an incorrect rate for gas utilities since 2010.

CITY OF EVERLY, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Recommendation – We recommend the City implement regular procedures to verify and monitor that utility billing rates are consistent with those in the City ordinances both during the initial set up and each month subsequent.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

II-C-15

Credit Cards – The City has credit cards for use by various employees while on City business. Although the City has adopted a policy stating who is authorized to use the credit cards, the policy lacks information regarding the proper procedures and documentation required to substantiate charges.

Criteria – An internal control system that is functioning properly should include written guidelines on the proper treatment of credit card charges.

Condition – Regular month-end practices do not include proper procedures that follow those included in the written policy for credit card charges.

Effect – Supporting documentation was not always available to support credit card charges.

Recommendation – The City should amend their current written policy to include information on the proper regulation on the City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purpose (including limitations and guidelines on food purchases), as well as the types of supporting documentation required to substantiate charges.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF EVERLY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Part III: Other Findings Related to Statutory Reporting:

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development function.

Criteria - Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Cause – The City did not discontinue issuing disbursements when the budgeted limits were reached.

Effect – The City did not comply with Chapter 384.20 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-15 Questionable Disbursements – During the audit, we noted a certain expenditure approved by the City Council that may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979. The expense was as follows:

Paid to	Transaction Description	Amount
Marleen Pearson	Holiday party	\$ 1,080

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Criteria – In accordance with the Code of Iowa, public expenditures are required to have a clearly identifiable documented public purpose.

Cause – The City did not identify a clear documented public purpose for the questioned disbursement.

Effect – The City did not comply with the Attorney General’s opinion dated April 25, 1979.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will comply with this recommendation.

CITY OF EVERLY, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015

Conclusion – Response accepted.

III-C-15 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-15 Business Transactions – Business transactions between the City and City officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brad Behrens, City Council Member, Son of owner of Custom Welding	Various	\$ 2,853

Criteria - Chapter 362.5(3)(j) of the Code of Iowa prohibits any city officer or employee from having a contract of job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$2,500 or if the work was contracted under competitive bid.

Cause – Limited providers of this type of service are available in the City of Everly.

Effect - The transactions with the City official above appear to be in violation of Iowa Code Section 362.5(3)(j), and are not covered under the aforementioned exceptions.

Recommendation – The City should consult with their attorney to see what actions, if any, needs to be taken to remedy the issue.

Response – We will consider this information for any future transactions.

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.